

holder (or spouse of a owner or holder), directly or indirectly, of 15% or more of any class of stock or ownership interests at any time between the date of the Dealership Agreement, and the date that is four years after the date of the Dealership Agreement, you must cause that person (and his or her spouse) to immediately sign and deliver to us a Certificate, Guarantee and Assumption of Obligations.

The System may be supplemented, improved and otherwise modified from time to time by us. You must comply (within a reasonable time, not to exceed ninety days) with all of our reasonable requirements in that regard, including, offering and selling new or different products or services as specified by us as if such changes were part of the Dealership Agreement at the time of it's execution.

Except as described above, you are not restricted by the Dealership Agreement, or any other practice or custom with respect to the goods or services which you may offer, or with respect to the customers whom you may solicit.

**ITEM 16**  
**RESTRICTIONS ON WHAT THE DEALER MAY SELL**

You are required to operate the Franchised Business in conformity with those standards, techniques and procedures we may, from time to time, give you in writing, and you cannot change those standards without our prior written consent. You are required to operate the Franchised Business a minimum of eight hours during each weekday, Monday through Friday, and a minimum of four hours each weekend, unless the Franchised Business is in a mall or other similar shopping area that requires fewer minimum hours of operation, in which case, your dealership hours may be the minimums required in writing by the mall or shopping area. Your telephone must be answered by a "live" person (i.e., answering service or employee) during normal business hours.

You must sell the Re-Bath Products. The Required Products may only be purchased from us or from an approved or designated source of supply. (See Item 8). You may offer other types of products and services to your customers as long as they are not directly competitive (such as another bathtub liner company's products) with Re-Bath Products. Selling and installing non-approved products from non-approved sources of supply are grounds for termination of your Dealership. We have the right to change the types of authorized products and services and there are no limits on our right to do so. You must install all Required Products that you sell.

We also reserve the right to review or approve any products or any other item or service. You must immediately cease selling or providing any product or any other such item we disapprove.

**ITEM 17**  
**RENEWAL, TERMINATION, TRANSFER AND DISPUTE RESOLUTION**

This table lists important provisions of the franchise and related agreements. You should read these provisions in the agreements attached to this offering circular.

<b><u>PROVISION</u></b>	<b><u>SECTION IN DEALERSHIP AGREEMENT</u></b>	<b><u>SUMMARY</u></b>
a. Term of the franchise	Article 3	7 years
b. Renewal or extension of the term	Article 21	One renewal term of 7 years, subject to company approval and contractual requirements
c. Requirements for you to renew or extend	Article 21	Notice, \$1,000 renewal fee, compliance with Dealership Agreement, execute then current Dealership Agreement, used by the Company for renewal, which may include material changes

<u>PROVISION</u>	<u>SECTION IN DEALERSHIP AGREEMENT</u>	<u>SUMMARY</u>
d. Termination by you	None	
e. Termination by us without cause	None	
f. Termination by us with cause	Article 25	See Note 1
g. "Cause" defined - defaults which can be cured	Article 25	You have 30 days to cure. See Note 1
h. "Cause" defined - defaults which cannot be cured	Article 25	Breach of Dealership Agreement and other grounds. See Note 1
i. Your obligations on termination/non-renewal	Article 26	Obligations include complete de-identification and payment of amounts due (also see r., following)
j. Assignment of contract by us	Article 23	No restriction on right to transfer
k. "Transfer" by you-definition	Article 23	Includes transfer of interest in Dealership Agreement, Franchise, all or substantially all of the assets of your Dealership, or ownership change
l. Our approval of transfer by you	Article 23	We have the right to approve transfers, which we will not unreasonably withhold
m. Conditions for our approval of transfer	Article 23	Includes payment of money owed, non-default, execution of release, transferee qualifications, payment of transfer fee, execution of then current agreement and training of transferee. (See also r. below)
n. Our right of first refusal to acquire your business	Article 23	We can match any offer for all or part of your business, except for proposed assignments or transfers to one or more adult members of an owner's immediate family who meet the then applicable standards for new dealers and meet certain other conditions set forth in the Dealership Agreement
o. Our option to purchase your business	None	
p. Your death or disability	Article 24	Franchise may be assigned to heir or successor that meets qualifications and training criteria, subject to our right of first refusal (see n. above)

<b>PROVISION</b>	<b>SECTION IN DEALERSHIP AGREEMENT</b>	<b>SUMMARY</b>
q. Non-competition covenants during the term of the franchise	Article 27	Includes prohibition on owning any interest in, or operating any similar or competing business located in or within 50 miles of any Re-Bath territory
r. Non-competition covenants after the franchise is terminated or expires	Article 27	Includes post termination 18 month prohibition similar to q.
s. Modification of the agreement	Article 31	Must be in writing signed by all parties
t. Integration/merger clause	Article 31	Only the terms of the Offering Circular and Dealership Agreement are binding (subject to state law); in conflicts between the two, the terms of the Dealership Agreement will control. Any other promises may not be enforceable
u. Dispute resolution by arbitration or mediation	Article 33	Must arbitrate
v. Choice of forum	Article 33	Arizona. See <u>Exhibit C</u> for specific state information
w. Choice of law	Article 33	Arizona. See <u>Exhibit C</u> for specific state information

**Note 1** - Your rights under the Dealership Agreement shall terminate automatically upon delivery of notice of termination to you, if you: make material misrepresentations in your application for the Dealership; are convicted of or plead no contest to a felony or other crime that will adversely affect your reputation, Re-Bath, or the Franchised Business; disclose or duplicate the Confidential Operations Manuals or disclose trade secrets or confidential information; abandon or fail to actively operate the Dealership for 10 consecutive business days in any 12 month period; surrender or transfer control, or make an unauthorized direct or indirect assignment of the operation or ownership of the Dealership; commit or file any petition or affirmative act of insolvency, file for appointment of a receiver or trustee, or make any assignment for the benefit of creditors, or fail to vacate or dismiss within 60 days after filing any such proceedings commenced against you by a third party; are subject to a dismissal of a liquidation proceeding under 11 U.S.C. Section 707, dismissal of a reorganization proceeding under 11 U.S.C. Section 1112, revocation of an order of confirmation under 11 U.S.C. Section 1330(b) or dismissal of a debt adjustment proceeding under 11 U.S.C. Section 1307; materially misuse or make an unauthorized use or materially impair the goodwill associated with any Marks; fail to start operations of the Re-Bath Dealership within 3 months after the completion of training or fail to open an initial showroom as required within 4 months after completion of training; transact or conduct business in the exclusive territory of another Re-Bath dealer during the term; fail to submit reports when due, or to pay for purchases when due to us; duplicate or acquire the Required Products from any source other than us, or approved manufacturers, or use an unauthorized facsimile; install Required Products with unapproved manufacturer's products; conduct any business operation, or market any product under any name or proprietary mark which is confusingly similar to the trademarks and proprietary marks of the Re-Bath System; fail or refuse to comply with our audit of your books and records; fail to comply with our customer satisfaction program, which is set forth in our Operations Manuals; are in default under or breach any terms of any other agreement relating to the Dealership to which you are a party, other than an agreement with Home Depot; fail to remain qualified to transact business in your territory; fail to properly file or record your fictitious name in your territory; or have outstanding amounts due to us that are more than 60 days past due. We will terminate your rights under the Dealership Agreement without further notice if you; fail or refuse to comply with any other provision of the

Agreement, or any mandatory specification, standard or operating procedure prescribed in our Operations Manuals or otherwise in writing, and do not correct or make reasonable efforts to correct such failure to comply within 30 days after written notice from us, or you fail to re-gain exclusive status in your territory as described in Article 2 of the Dealership Agreement. See Article 25 of the Dealership Agreement for complete information.

These states have statutes which may supersede the Dealership Agreement with respect to your relationship with us including the areas of termination and renewal of your franchise: ARKANSAS [Stat. Section 70-807], CALIFORNIA [Bus. & Prof. Code Sections 20000-20043], CONNECTICUT [Gen. Stat. Section 42-133e et seq.], DELAWARE [Code, tit.], HAWAII [Rev. Stat. Section 482E-1], ILLINOIS [815 ILCS 705/1-44], INDIANA [Stat. Section 23-2-2.7], IOWA [Code Sections 523H.1-523H.17], MICHIGAN [Stat. Section 19.854(27)], MINNESOTA [Stat. Section 80C.14], MISSISSIPPI [Code Section 75-24-51], MISSOURI [Stat. Section 407.400], NEBRASKA [Rev. Stat. Section 87-401], NEW JERSEY [Stat. Section 56:10-1], SOUTH DAKOTA [Codified Laws Section 37-5A-51], VIRGINIA [Code 13.1-557-574-13.1-564], WASHINGTON [Code Section 19.100.180], WISCONSIN [Stat. Section 135.03]. These and other states may have court decisions which may supersede the Dealership Agreement in your relationship with us including the areas of termination and renewal of your franchise. See Exhibit C - State Supplement for the laws in your state.

**ITEM 18  
PUBLIC FIGURES**

We do not use any public figure to promote this franchise.

**ITEM 19  
EARNINGS CLAIMS**

Re-Bath does not furnish or authorize its salespersons to furnish any oral or written information concerning the actual or potential sales, costs, income or profits of a Re-Bath Dealership. Actual results vary from unit to unit and Re-Bath cannot estimate the results of any particular franchise.

**ITEM 20  
LIST OF OUTLETS**

**Franchised Dealer Status Summary  
For Years Ended December 31, 2005/2004/2003**

State	Transfer	Canceled or Terminated	Not Renewed	Reacquired By Franchisor	Otherwise Left the System	Total From Left Columns (1)	Franchises Operating At Year End
Alabama	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	3/3/4
Arizona	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	2/2/2
Arkansas	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/0/0
California	0/0/0	2/1/0	0/0/0	0/0/0	0/0/0	2/1/0	5/7/7
Colorado	1/1/0	1/0/1	0/0/0	0/0/0	0/0/0	0/1/1	3/4/4
Connecticut	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	3/3/3
Delaware	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	0/0/1
Florida	0/0/2	0/0/0	0/0/0	0/0/0	0/0/0	0/0/2	10/11/9
Georgia	0/0/0	0/1/0	0/0/0	0/0/0	0/0/0	0/1/0	5/6/7
Hawaii	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	0/0/0	1/1/1